

Part 6

Dissociation

48-3a-601 Power to dissociate as member -- Wrongful dissociation.

- (1) A person has the power to dissociate as a member at any time, rightfully or wrongfully, by withdrawing as a member by express will under Subsection 48-3a-602(1).
- (2) A person's dissociation as a member is wrongful only if the dissociation:
 - (a) is in breach of an express provision of the operating agreement; or
 - (b) occurs before the completion of the winding up of the limited liability company and:
 - (i) the person withdraws as a member by express will;
 - (ii) the person is expelled as a member by judicial order under Subsection 48-3a-602(6);
 - (iii) the person is dissociated under Subsection 48-3a-602(8); or
 - (iv) in the case of a person that is not a trust other than a business trust, an estate, or an individual, the person is expelled or otherwise dissociated as a member because it willfully dissolved or terminated.
- (3) A person that wrongfully dissociates as a member is liable to the limited liability company and, subject to Section 48-3a-801, to the other members for damages caused by the dissociation. The liability is in addition to any debt, obligation, or other liability of the member to the limited liability company or the other members.

Enacted by Chapter 412, 2013 General Session

48-3a-602 Events causing dissociation.

A person is dissociated as a member when:

- (1) the limited liability company has notice of the person's express will to withdraw as a member, but, if the person specified a withdrawal date later than the date the limited liability company had notice, on that later date;
- (2) an event stated in the operating agreement as causing the person's dissociation occurs;
- (3) the person's entire interest is transferred in a foreclosure sale under Subsection 48-3a-503(6);
- (4) the person is expelled as a member pursuant to the operating agreement;
- (5) the person is expelled as a member by the unanimous consent of the other members if:
 - (a) it is unlawful to carry on the limited liability company's activities and affairs with the person as a member;
 - (b) there has been a transfer of all the person's transferable interest in the limited liability company, other than:
 - (i) a transfer for security purposes; or
 - (ii) a charging order in effect under Section 48-3a-503 which has not been foreclosed;
 - (c) the person is a corporation, and:
 - (i) the limited liability company notifies the person that it will be expelled as a member because the person has filed a statement of dissolution or the equivalent, its charter has been revoked, or its right to conduct business has been suspended by the jurisdiction of its incorporation; and
 - (ii) not later than 90 days after the notification the statement of dissolution or the equivalent has not been revoked or its charter or right to conduct business has not been reinstated; or
 - (d) the person is an unincorporated entity that has been dissolved and whose business is being wound up;

- (6) on application by the limited liability company or a member in a direct action under Section 48-3a-801, the person is expelled as a member by judicial order because the person:
 - (a) has engaged or is engaging in wrongful conduct that has affected adversely and materially, or will affect adversely and materially, the limited liability company's activities and affairs;
 - (b) has committed willfully or persistently, or is committing willfully or persistently, a material breach of the operating agreement or a duty or obligation under Section 48-3a-409; or
 - (c) has engaged or is engaging in conduct relating to the limited liability company's activities and affairs which makes it not reasonably practicable to carry on the activities and affairs with the person as a member;
- (7) in the case of an individual:
 - (a) the individual dies; or
 - (b) in a member-managed limited liability company:
 - (i) a guardian or general conservator for the individual is appointed; or
 - (ii) a court orders that the individual has otherwise become incapable of performing the individual's duties as a member under this chapter or the operating agreement;
- (8) in a member-managed limited liability company, the person:
 - (a) becomes a debtor in bankruptcy;
 - (b) executes an assignment for the benefit of creditors; or
 - (c) seeks, consents to, or acquiesces in the appointment of a trustee, receiver, or liquidator of the person or of all or substantially all the person's property;
- (9) in the case of a person that is a testamentary or inter vivos trust or is acting as a member by virtue of being a trustee of such a trust, the trust's entire transferable interest in the limited liability company is distributed;
- (10) in the case of a person that is an estate or is acting as a member by virtue of being a personal representative of an estate, the estate's entire transferable interest in the limited liability company is distributed, but not merely by reason of substitution of a successor personal representative;
- (11) in the case of a person that is not an individual, corporation, unincorporated entity, trust, or estate, the existence of the person terminates;
- (12) the limited liability company participates in a merger under Part 10, Merger, Interest Exchange, Conversion, and Domestication, and:
 - (a) the limited liability company is not the surviving entity; or
 - (b) otherwise as a result of the merger, the person ceases to be a member;
- (13) the limited liability company participates in an interest exchange under Part 10, Merger, Interest Exchange, Conversion, and Domestication, and, as a result of the interest exchange, the person ceases to be a member;
- (14) the limited liability company participates in a conversion under Part 10, Merger, Interest Exchange, Conversion, and Domestication;
- (15) the limited liability company participates in a domestication under Part 10, Merger, Interest Exchange, Conversion, and Domestication, and, as a result of the domestication, the person ceases to be a member; or
- (16) the limited liability company dissolves and completes winding up.

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48-3a-603 Effect of dissociation.

- (1) If a person is dissociated as a member:

- (a) the person's right to participate as a member in the management and conduct of the company's activities and affairs terminates;
 - (b) if the limited liability company is member-managed, the person's duties and obligations under Section 48-3a-409 as a member end with regard to matters arising and events occurring after the person's dissociation; and
 - (c) subject to Section 48-3a-504 and Part 10, Merger, Interest Exchange, Conversion, and Domestication, any transferable interest owned by the person in the person's capacity as a member immediately before dissociation as a member is owned by the person solely as a transferee.
- (2) A person's dissociation as a member does not of itself discharge the person from any debt, obligation, or other liability to the limited liability company or the other members which the person incurred while a member.

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